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# Governance arrangements targeting diversity in Europe: How New Public Management impacts working with social cohesion

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# Governance arrangements targeting diversity in Europe: How New Public Management impacts measures for social cohesion

This article analyses how policies to foster social cohesion within diverse and unequal urban contexts are affected by New Public Management and austerity policies. Based on the analysis of a handful of governance arrangements in three cities that differ in their institutional structure and diversity policy approaches (Copenhagen, Leipzig and Milan), it is shown that negative effects are quite widespread yet cushioned by a strong welfare state structure, solid local government and high priority given to the recognition of diversity. Nevertheless, the shift towards the application of market logic to social work reduces innovative potential, increases efforts spent on procedures and weakens public coordination.

Keywords: austerity, diversity, New Public Management, governance arrangements, social cohesion

## Introduction

Cities are experiencing growing ethnic, cultural and socio-economic heterogeneity within their populations. They are sites where living with difference is most common but also more challenging (Tasan-Kok, van Kempen, Raco, & Bolt, 2013; Valentine, 2008). Diversity is defined here according to recent diversity studies that refer to modes of social differentiation and multiple sources of change in urban populations: “not only in socio-economic, social and ethnic terms, but also with respect to lifestyles, attitudes and activities” (Tasan-Kok, van Kempen, Raco, & Bolt, 2013; see also Vertovec, 2015). This implies that configurations and representations of diversity – including their political relevance – can be locally variable. Whatever the intersection of gender, ethnicity, class and the like is, diversity has been subject to policies to foster social cohesion – particularly at the urban scale (Caponio & Borkert, 2010; Tasan-Kok, van

Kempen, Raco, & Bolt, 2013).

At the same time, urban policies have undergone significant transformations in recent decades. These changes have sped up in the wake of economic crises, e.g. in the 1970s and the late 2000s (Warner, & Clifton, 2014), and have often been dealt with through neoliberal national and urban policy-making, with consequences deployed territorially (Brenner, & Theodore, 2002). To narrow our focus within the neoliberal field, we focus on the localized effects of neoliberal governmentality – i.e. discourses and instruments that impose competitive principles as the main solution to urban problems, with limited attention to their negative consequences (Le Galès, 2016). This does not mean that other levels (e.g. the national one) and their policies (e.g. national welfare measures) – including other policy processes not based on neoliberal stances (*ibidem*) – have lost relevance, but rather that their effects conflate differently at the local level. Therefore, a bottom-up analysis of urban governance is the key to disentangling the effects of multilevel relations (Kazepov, 2010; Ranci, Brandsen, & Sabatinelli, 2014), and neoliberal policies do intersect with geographically variable policy landscapes, producing different consequences.

Market-related policy instruments are increasingly "normalized" as resources for urban governance. This affects the role of public institutions, private actors and NGOs through territorially based public–private partnerships and inter-organizational networks that are regulated as quasi-markets. Consequently, the extent and actual effects of using similar instruments have to be disentangled.

Neoliberal policy-making can affect urban governance differently depending on the opportunities and constraints deriving from cities' role in global hierarchies and path-dependent policy arrangements. International, national and regional actors may support such trends reframing discourses in urban policies (Oosterlynck, & González,

2013; Donald, Glasmeier, Gray, & Lobao, 2014). For example, regulation and financing tools may influence the available policy instruments and affect policy targets and responsiveness; a focus on efficiency and budget control may make reducing inequality harder by shifting policy aims and cutting resources. Such policy instruments are often framed as 'devolved austerity' (Peck, 2012, p. 628) in which innovative practices exist side by side with retrenchment.

Considering diversity as one of the most important features and challenges of contemporary European cities, this article analyses how policies to foster social cohesion within diverse and unequal urban contexts are affected by New Public Management (NPM), austerity and changes in the management of urban policies. The study is based on analyses of diversity-related governance arrangements in three different cities: Copenhagen, Denmark; Leipzig, Germany; and Milan, Italy. In particular, the focus will be on arrangements in neighbourhoods where ethno-national and socio-economic inequality (see Table 1) are high and are targets of local social policy. The cases were chosen because they provide evidence of similar processes within different welfare and urban governance arrangements, allowing a comparison among most different cases in terms of social policy and diversity management.

## NPM in urban governance

Since the first waves of changes in urban governance in the 1980s, neoliberal policy instruments have been labelled as NPM (Hood, 1991; Pollitt, van Thiel and Homburg, 2007). NPM includes a variety of policies with several common trends (Kazepov, 2010; Oosterlynck et al., 2015), specifically (a) the reorganization of public administration (PA), (b) decentralization of partnerships and networks, and (c) innovation. These trends will be analysed in our case studies.

As for (a), the reorganization of PA targets PA's size, costs and goals. The public workforce is often downsized (e.g. through non-replacement and job cuts; see Vaughan-Whitehead, 2013) in favour of externalization. Public action is retrenched with the inclusion of market principles and private-style professional management in bureaucratic organizations (Meuleman, 2008). This includes a focus on standards, measures of performance, output control and competition (Hood, 1991). The flip side can be a boosting of contracting out and privatization, as well as reduced attention to their unexpected outcomes.

Market competition tools may be enacted by actors at any institutional level, which can be both promoters and subjects of neoliberal and austerity practices (Donald, Glasmeier, Gray, & Lobao, 2014). Local institutions issue calls for tender but may also themselves be caught in the game of "fund hunting". In selected local and policy contexts (e.g. in those less covered by established welfare provisions), an "innovation trap" can develop, meaning that forms of flexibilization through competitive calls can become the only available funding. In a way, projects replace services.[1] In this competition, protection of vulnerable groups and areas is subject to:

- Territorial variability: variation in capacity to attract resources in competitions at the city and neighbourhood levels
- Social variability: variable targeting of different groups in competitive calls
- Temporal variability: short-term bids resulting in a lack of long-term vision

NPM has been accompanied by (b) decentralization and devolution processes according to the principle of vertical subsidiarity, in which bodies closer to citizens are considered abler to frame problems and implement solutions. However, managerial, if

[1] For an example, see Kantola, 2010.

not entrepreneurial, decentralization may negatively affect social participation, especially in social policy, while social risks may be devolved without adequate resources (Kazepov, 2010; Peck, 2012). Local policy-making arenas may be unfit for dealing with urban problems that exceed their scale of action (Peck, Theodore and Brenner, 2013, p. 1097).

Public–private partnerships and networking have become common policy instruments. Networks are seen as a solution per se (Leitner and Sheppard, 2002). However, the governance of a network requires expertise and clear roles. If local institutions use networks to dump social questions on their partners, democratic accountability will be limited and replaced by output controls and financial accountability. A lack of coordination may stimulate particularistic interests, jeopardizing risk coverage for less politically prioritized social groups. In deprived areas, actors taking part in networks may not enjoy the resources and expertise to develop community capacity to replace retrenching public action and to adapt to the requirements of competitive management (Deas and Doyle, 2013). Weaker networks needing more support are likely to be more affected by austerity measures, increasing their dependence from ‘grant coalitions’ for public funding (Bernt, 2009). Sharing goals and tools among a variety of actors can be complex. Power asymmetries and unclear tasks can create holes and overlaps in networks, leaving social needs uncovered and actors disempowered (Gross, 2016).

Innovation (c) is not necessarily framed in a neoliberal discourse, but it can be a tool of NPM (Lévesque, 2012; Pollitt, & Bouckaert, 2011), as innovative and entrepreneurial initiatives may be seen as necessary for alleviating local authorities' distress when their budgets are eroded (Harvey, 1989). Innovation has also become a powerful frame for social policy change and opened the way for further use of NPM

instruments; the innovation discourse fosters project-based approaches to social problems, criticizes welfare state rigidities, supports economic developments and answers structural problems through partial solutions such as neighbourhood-based initiatives (Oosterlynck et al., 2015). Competition is considered to boost innovation.

***Austerity as a context for urban governance***

The importance of the abovementioned processes has increased in the aftermath of the recent economic crisis, especially in local contexts hit harder by its fiscal and political consequences. Many localities face narrower operational conditions, in a context of "austerity urbanism" (Peck, 2012). However, austerity budgeting may also be adopted in areas less affected by the crisis (Färber, 2014).

Economic crises entail an opportunity to justify austerity policies at different scales – including in and for cities. Even though NPM does not necessarily imply austerity, austerity can boost attention and propensity to resort to NPM tools, as public and political attention to efficiency and cost-effectiveness are renewed by budget-control mechanisms, limitations on spending and cuts in state transfers. The post-2008 austerity wave has implied new consequences, since 'it operates on, and targets anew, an already neoliberalized institutional landscape' (Peck, 2012, p. 631; see also Warner and Clifton, 2014). It can thereby undermine social protection by affecting disadvantaged contexts and groups. The crisis affected social conditions by increasing and modifying vulnerability as new social risks intersected with older ones. Welfare needs and the pressure on local institutions to cope with them increased, yet resources did not.

***NPM and diversity-related policies at the local level***

This paper analyses the NPM trends described above – (a) the reorganization of PA, (b) decentralization of partnerships and networks, and (c) innovation – in three

cities through examples of diversity-related governance arrangements. The authors maintain that new social questions – including how diversity is becoming a policy target – may undergo unfavourable policy conditions. Cities may have fewer resources for dealing with new vulnerabilities, as they neither are protected enough by old welfare arrangements nor have enough voice in local political arenas (Kazepov, 2010; Ranci, Sabatinelli and Brandsen, 2014; Peck, 2012). The targeting of urban diversity can undergo specific liabilities related to the intersection of inequality and (ethnic) diversity, and to the difficulty of identifying proper measures for elusive social change, which is characterized by a pluralization of diversity (as the literature on super- and hyper-diversity suggests – see Vertovec, 2007; Tasan-Kok, van Kempen, Raco, & Bolt, 2014).

These processes do not take place in a vacuum, however; rather, the path dependency of national and local regulations, contestations and alternatives may steer governance arrangements, selected tools and the impacts of changes (Brenner and Theodore, 2002). Attention to multifaceted arrangements adopted at the local level is necessary to understand how approaches to diversity-related policies, albeit similar, are also context-specific.

**Methods and data**

The results presented here are based on qualitative interviews with representatives of a range of governance arrangements in the case study cities. Based on Swyngedouw (2005: 1992), we define governance arrangements as "horizontal associational networks of private (market), civil society (usually NGO) and state actors. … [they are] apparently horizontally organised and polycentric ensembles in which power is dispersed". Participants cooperate through regular exchanges among a fixed set of independent but interdependent actors. However, truly horizontal arrangements are

rare. Even in networks with a flat internal hierarchy, dependencies influence the work of local initiatives. Swyngedouw is in fact rather pessimistic about their democratic impact: "socially innovative arrangements of governance-beyond-the-state are fundamentally Janus-faced, particularly under conditions in which the democratic character of the political sphere is increasingly eroded by the encroaching imposition of market forces that set the 'rules of the game'" (ibidem: 1993).

The case study cities represent three different contexts in Europe with respect to the structural conditions and institutional frames for the work of governance arrangements targeting social cohesion and diversity, constituting three different worlds of welfare and positions in urban hierarchies. Copenhagen is the capital of a strong welfare state that has been run by a social democratic government for a century. The third sector is important in Denmark, representing approx. 101,000 units (2006), many within sports and culture. In 2004 the sector was estimated as constituting 9.6% of GDP (Boje & Ibsen 2006). Compared to other European cities, in Copenhagen the resources available at the local level for social purposes are not scarce. Leipzig is a post-socialist city which went through a post-reunification phase of shrinkage that brought about ongoing austerity conditions in PAs. The third sector plays an important and increasingly recognized role in the city. The cultural development plan of the city declares that the expenditures for socio-cultural projects supported by the city have risen from 2.7 million in 2008 to 5.35 million euro in 2016. The plan is to dynamically increase this budget by 2.5 % per year, as the city understands how important this work is for the cohesion and spirit of urban society (Stadt Leipzig, 2016). While relatively well off from a Mediterranean comparative perspective, Milan represents a southern European city within a nation hit hard by financial crisis and austerity, with resources at the local level reduced or subject to variable conditions (e.g. competitive calls, endowment of

national and regional funds). Nevertheless, the local community is involved in and can rely on a vast nonprofit sector: according to the 2011 Census, no fewer than 200,000 people volunteer or work in different social and cultural activities. These different contexts provide a fruitful background for analysing the main features of the changes in the management of urban policies.

The governance arrangements were selected based on an analysis of governance approaches and policies targeting social cohesion, social mobility and the improvement of economic performance among disadvantaged groups in neighbourhoods characterized by ethno-national diversity and socio-economic inequality. Next, a range of governance arrangements (10-12) was selected for each city to represent the different forms, goals and functioning of arrangements. While drawing entirely on fieldwork, this article exemplifies the findings primarily through two initiatives per city, which were chosen according to their local relevance and their innovative view on diversity according to relevant stakeholders (for details, see Grossman *et al.*, 2014; Skovgaard Nielsen *et al.*, 2016; Angelucci, Barberis, & Kazepov, 2014).

Governance arrangements were studied through interviews and focus groups with key informants (on average 19 per city: officials and policy-makers, experts, representatives of specific initiatives) as well as document analysis (on average, 15 legal documents, policy programmes and documents on specific initiatives). The interviews followed common guidelines, with the thematic analysis structured based on (i) the implicit or explicit definition of diversity in use, (ii) the development of the arrangement, (iii) the mode of work, (iv) relations to other stakeholders, and (v) factors in success or failure.[2]

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[2] For details on the theoretical and methodological assumptions, see http://www.urbandivercities.eu/publications/

The analysis below is aimed at disentangling how these dimensions are connected to the NPM trends described above: (a) the reorganization of PA, (b) decentralization of partnerships and networks, and (c) innovation.

Table 1. Summary of case studies.

*[TABLE 1 AROUND HERE]*

## Initiatives for social cohesion in diverse cities under precarious conditions

### *Copenhagen, Denmark*

Copenhagen is the largest municipality of Denmark and its most diverse city (Table 1) in terms of age structure, socio-economic situation, ethnicity, culture and lifestyle (Skovgaard Nielsen *et al.*, 2016). Compared to Denmark's national politics, Copenhagen stands out by having a more positive approach to diversity and explicitly addressing it as an advantage for the city: 'A diverse city life is an important part of a socially sustainable city' (Municipality of Copenhagen, 2009; see also Skovgaard Nielsen *et al.*, 2016). The mixed socio-economic composition of Copenhagen is linked to the diversity of its neighbourhoods. Over the last decades, Copenhagen has changed from a city of poverty to a popular place to live, with rising house prices and an increasingly affluent population. While some areas of Copenhagen still offer housing for the socially disadvantaged, it is becoming harder for such groups to afford rent. Extensive regeneration and urban renewal projects are both a consequence and a cause of Copenhagen's popularity. Such projects have heavily affected the quality and composition of the housing stock in selected neighbourhoods, changing their socio-economic composition. In some areas, the resulting rampant gentrification has led to decreasing diversity.

Ethnic diversity is high in Copenhagen, with 23% of Copenhagen residents being of

non-Danish background.[3] While ethnic diversity entails the risk of racism and ethnic conflicts, it seems that such challenges are less evident in Copenhagen than in the rest of Denmark, perhaps due to Copenhagen's higher share of ethnic minorities and positive approach to diversity. Skovgaard Nielsen *et al.* (2016) have identified an insistence among governmental and non-governmental actors working with diversity that challenges related to diversity are primarily connected to socio-economic differences. There is an overlap between ethnic minority groups and socially deprived individuals, which means that targeting socio-economic issues leads to work with ethnic minority groups in particular.

*The impact of NPM on diversity-related governance arrangements*

Copenhagen's governance arrangements conceptualize diversity as openness, tolerance and the inclusion of all citizens in the life of the city, in society and in the labour force (ibidem). Diversity is seen as a potential source of creativity, innovation and growth.

Despite being on the verge of bankruptcy in the early 1990s, Copenhagen has become a city of growth and wealth. The financial crisis of 2008 was felt in Copenhagen, but to a lesser degree than in other European cities. By 2015, prices of flats exceeded pre-2008 levels. Consequently, while the municipality has employed austerity measures, their impact on the conditions of the governance arrangements has been relatively limited. While the scarcity of resources is a challenge, it is not perceived as having increased since the crisis.

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[3] Defined as individuals born outside of Denmark whose parents are foreign citizens or were born outside of Denmark, as well as children of immigrants born in Denmark.

A **reorganization of PAs** (a) is taking place, with the municipality adopting a mainstreaming approach to diversity efforts in which they are to be integrated into the general way of thinking and implemented as an everyday working tool throughout the municipal administration (ibidem).

*"*The more we can do that as simply a part of the core services and normal practice, where you don't think about what you do, the better it will work, I think, and the more effect it will have in the city*"* (employee of the Technical & Environmental Administration, Copenhagen Municipality).

With few exceptions, this entails diversity efforts being part of the existing budget, rather than being assigned earmarked funds. At the same time, contracting out, externalization and privatization through calls for services have become part of the political and administrative approach. This includes the activities of voluntary organizations and private foundations as well as time-limited projects nested within the municipal administration itself, such as Lab2400 Talents (see Table 2). Denmark has a large public sector, and discussions about retrenchment are pronounced. This is echoed in Copenhagen, albeit to a lesser extent, likely due to the left-wing municipal government.

Table 2. Lab2400 Talents [Lab2400 Talenter]

[TABLE 2 ABOUT HERE]

Both governmental and non-governmental actors have adopted the market-oriented approach, willingly or not. While this has widened the variety of relevant funding organizations, it has also made fund hunting a comprehensive and ongoing task. This was mentioned by all of the interviewed representatives of local arrangements. Not all initiatives are able to master this, and the constant risk of being closed down exerts

substantial pressure. Additionally, funding bodies demand quantitative evidence-based effects, which contrast with the often qualitative and preventive approaches of the arrangements:

*"*All of what we do is preventive work. I do understand that you will always want some numbers on the effects of the master plans. I wish that we could [provide numbers]. (…) I wish there was a concrete link between numbers and results, but because we work within the social field it is not easy to identify those links*"* (project manager, master plans for regeneration of social housing estate in Copenhagen)

Substantial resources have to be reserved for fundraising, networking and documenting the quantitative effects of the projects. Such tasks can be difficult to fulfil sufficiently, especially for volunteer-based, activist and newer initiatives, such as the Pastry Hill Integration House (see Table 3).

Table 3. Pastry Hill Integration House [Integrationshuset Kringlebakken]

[TABLE 3 ABOUT HERE]

To receive funding, the goals and approaches of the arrangements have to be adapted to the funding bodies' changing focus areas. **Innovation** (c) and entrepreneurship have become key concepts in recent years. For example, the original social purpose of Lab2400 Talents (Table 2) has been adapted to a focus on entrepreneurship. Nevertheless, while market-related discourses favouring entrepreneurship, growth and innovation have become more prevalent, there has been continuity in overall political goals due to the stable left-wing government of Copenhagen Municipality. Therefore, the challenges of adapting arrangements' actions to political discourses are not as substantial as they could be.

As a consequence of the reorganization of PAs, **networks** (b) of actors from different sectors and levels are perceived as more flexible and appropriate for social work than top–down public services. The master plans for the regeneration of social housing estates are examples of such networks. These master plans allow for bottom–up approaches while ensuring central coordination. This combination is considered essential for the success of governance arrangements.

Linked to the new focus on networks as a governance tool, processes of decentralization are taking place, and tasks that used to be undertaken by public actors are being devolved to smaller-scale local organizations.

> "We can definitely feel within our sector that we are in the middle of a financial crisis (in 2013, red.) and that the money is becoming smaller and smaller. (…). At the same time we can see that there is an increasingly strong political wish to hand over more and more of the welfare tasks to the civil society, to volunteers" (head of voluntary social organisation in Copenhagen).

Structural social problems such as the geographical segregation of socio-economically disadvantaged groups are addressed at the neighbourhood rather than the national level. The initiatives' representatives underlined the importance of a locally based and locally shaped approach. At the same time, however, they problematized that the municipality is moving the responsibility for municipal assignments to the voluntary sector. The responsibility should remain with the municipality but be carried outsolved through locally based initiatives.

One exception to the above tendency is the Municipality of Copenhagen's Policy for Disadvantaged Areas (Municipality of Copenhagen, 2011). The municipality has identified seven large areas with challenges to be addressed together. Rather than "over-responsibilizing" (Deas and Doyle, 2013) smaller housing estates, the structural

character of the issues in such estates is acknowledged by refocusing on larger city areas where they are located.

Despite the devolution of tasks to non-governmental actors, the reach of the public sector is still wide. All of the analysed governance arrangements are, to varying degrees, financially dependent on the public sector, primarily the Municipality of Copenhagen. The municipality retains some degree of power over the devolved tasks by influencing the targets, framework and organizational structure of the governance arrangements. Therefore, the arrangements are affected by changing political discourses and demands. However, the representatives of the arrangements generally consider the extensive presence of the municipality an advantage, as it creates possibilities and provides a safety net.

***Case study: Milan***

Milan is, along with Rome, the largest metropolitan area in Italy, with one of the highest shares of non-Italian residents and a growing share of naturalized minorities from an immigrant background. Nevertheless, migration is not the only source of diversity in Milan, as it is also characterized by a high share of single-person households and a shrinking number of 'traditional' ones (married couples with minor children) (see Table 1). In the last decade, the population of Milan grew by 15%, with increases in children, elders and foreign nationals. The intersection of changing gender, age, ethnicity and household characteristics has produced new assemblages that have affected relations in the city.

Milan is also becoming more unequal. The unemployment rate, which doubled after the crisis, hit some disadvantaged groups harder, e.g. migrants (from 6% to 20% in the period 2007–2013, Menonna and Blangiardo, 2014) and youth (from less than 20% to

34.5%). Milan's Gini index grew to one of the highest among Italian cities (0.35 in 2014).

The challenge for Milan is to disentangle the tie between inequality and diversity. Migrants, minorities, atypical (usually young) workers and people in non-standard family arrangements are among the most vulnerable inhabitants of the city in terms of income, housing and social opportunities. In a city that has traditionally had few segregated areas, this may increase the spatial concentration of disadvantaged groups and their expulsion toward peripheral areas. This may increase localized tensions.

This is happening in a context where policies supporting social participation of minorities rank low in the policy agenda: together with austerity, this has made resources and strategies limited and blurred, mirroring a national context in which the priority for diversity policies is limited. Discourses on diversity are mainly focused on reducing its negative effects on social cohesion, while the recognition of potential is limited. Political anxiety about security issues and migration is often coupled with efforts to dilute and reduce the visibility of diversity in public spaces (Briata, 2014). At the same time, there is no wide-scope, cross-sectoral or explicit strategic discourse on diversity or its promotion in the Italian policy agenda.

> "a municipality can hardly affect issues concerning rights: from an administrative point of view, we can just act as a stopgap; from a political point of view we can just lobby on the competent institutional level […]. At the national level, nothing happens" (key official 3, Municipality of Milan).

*The impact of NPM on diversity-related governance arrangements*

The analysis of diversity-related governance arrangements in Milan shows that the main focus is on social cohesion within an integrationist approach. Fostering social contact and mix seems to be connected with nativism and a fear of negative politicization.

> "Making diversity an explicit issue is a political problem. If you draw a plan on diversity, there will instantly be someone telling you: 'Mind normalcy! Why should you mind about marginal fringes?' There's a part that considers diversity as a negative value" (key official 4, Municipality of Milan)

This issue may affect diversity policy and minority targeting. However, many of the actors involved, especially civil society organizations, are sensible to a pluralist discourse on diversity, e.g. concerning the social participation of 'second generations' of immigration, and question the boundaries of the national community, as the case of G.Lab shows (see Table 4).

Table 4. G.Lab

[Table 4 ABOUT HERE]

Many initiatives treat diversity as a source of social disadvantage, albeit with growing attention to the possible advantages of the pluralization of society. Also, diversity is often considered acceptable and enriching when it is not too isolated or related to inequality. NPM policies have substantially affected how new diversity-related claims and social needs are coped with, and such measures have been coupled with austerity policies. This is particularly relevant in Italy, since the institutional coping with diversity has taken place in years of budget constraints and welfare retrenchment. This may have fuelled nativism and exclusionary policies (Ambrosini, & Boccagni, 2015).

The **reorganization of PAs** (a) in Italy started in the 1990s. Public employment has decreased in recent years as an effect of liberalization measures, budget controls and austerity (e.g. the limitation of turnover). Public employment has shrunk and changed due to an increase of privatization and competitive arrangements. For example, there has been significant growth in non-standard jobs (e.g. temporary work and dependent self-employment) in PA. Given the additional problems of qualification mismatch, this means that the expertise necessary for coping with new claims and needs has been scantly internalized within the PA. The Lombardy region (where Milan is located) has been at the forefront of this change, since it has fostered a quasi-market approach to welfare policies for at least two decades (Sabatinelli and Villa, 2015).

This has been particularly relevant since **decentralization** (b) increased after 2001, when a constitutional reform defined regions as the focal level in planning welfare policy. This reform piled on a tradition of welfare municipalism in fragmenting local outcomes: the effects of the 2008 crisis were just the latest evidence of enduring problems within the multilevel coordination of Italian social policy.

Also, the devolution process resulted in transfer cuts in the aftermaths of the crisis, with consequences for the localised effects of austerity. The short-term sustainability of initiatives such as G.Lab and About Niguarda (see Tables 4 and 5) shows that budget constraints negatively affect multilevel governance.

> "[local government's] commitment was to revamp integration policy through participation about what to do for integration and how to do it. One year of work, many ideas... […] The problem is that it didn't become actual policy, since at a given point we understood that there was no money […] Local policies are just announced but not applied in reality" (Policy strategist 1, Milan)

All of these processes together have led to a complex subsidiarization of social policy

(Kazepov, 2010), with increased importance of **markets and networks in public–private partnerships** as well as in welfare policy.

Table 5. About Niguarda [Riguarda Niguarda]

[TABLE 5 ABOUT HERE]

As the PA is not recruiting on a regular basis and is contracting out, **innovation** (c) has become a framing discourse in the transformation of Italian welfare policy. The use of competitive calls with unclear continuity as well as different targets and funding sources requires applicants to make use of innovation discourses to structure the sustainability of quasi-services and initiatives. Research shows that social innovation in Italy is diffused and plural but also very fragmented and unlikely to spread further (Oosterlynck et al., 2015).

The initiatives reported in Tables 4 and 5 are good examples of the complex effects of NPM on diversity-related governance arrangements in Milan. They show good room for innovation in targeting and management, starting from small-scale networks and local experiments. However, there are sustainability problems. First, these initiatives seem unable to reverse the negative view on diversity due to their limited scope and target areas. Second, public authorities seem unable to systematically contribute to successful measures.

When such initiatives are funded within calls with short time span and poor attention to their long-term viability, their success is limited. These initiatives have a poor chance of becoming institutional in the longer run. In this respect, most successful arrangements are based on peer self-help and self-sustainment with limited resources, while public institutions only help them in kicking off.

> "The problem is the economic sustainability, in the frame of current budget cuts (especially to social expenditure): the local administration is relying much on social participation, activism, and volunteering – even too much" (Member of local immigrant association 2, Milan)

Networks of small- and medium-sized organizations foster a social mix of promoters that may increase the sensibility toward diversity and social change as well as attention towards social participation and bottom–up action. The surveyed initiatives are often small in scale (e.g. in About Niguarda see Table 5), but plural networks help to focus on target areas with many small, cheap, low-threshold measures. This 'guerrilla grassroots policy-making' increases the chance of reaching diverse target groups.

***Case study: Leipzig***

Leipzig is a recently diversifying urban society, not least due to its post-socialist background. Following rapid deindustrialization and population decline in the 1990s, the city has been experiencing reurbanization and population regrowth since the 2000s. Since 2011, the population has been growing by an average of 10,000 persons per year (City of Leipzig, 2015). In particular, the net influx of young people (e.g. professionals, students) and various international migrants, including refugees, has shaped the recent diversification (for a summary, see Table 1). Leipzig's 11.7% share of migrants overall (City of Leipzig, 2015, p. 70) is high among eastern German cities, even though it is low compared to that of western Germany.

With respect to resources, Leipzig has had to cope with municipal debt burdens, tight budgets and austerity measures for roughly two decades. These problems are rooted in the post-socialist transition as well as in the reorganization of the public sector, where neoliberal stances have gained momentum in the policy agenda. Therefore, third-party funding targeted to specific projects – that is, funds coming to the city from the state and the EU – have gained importance in financing social measures.

On the national level, policies targeting and recognizing diversity have been quite inconsistent over time, and they are much focused on economic goals, such as attracting (skilled) immigrant labour to fill demographic gaps. This is also reflected in national

diversity policies, under which 'diversity management' was implemented to fight discrimination against women and international migrants (see Grossman *et al.*, 2014). The reactions to the 2015 influx of refugees can be interpreted along similar lines, even though it did mobilize both civic and institutional resources to cope with the challenges.

*The impact of NPM on diversity-related governance arrangements*

In Leipzig, the influx of foreign migrants and refugees over the past few years has often led to societal tensions, e.g. swinging populist and solidarity stances about the location of refugees' housing and shelters and about resources allocated to integration policy. The rapid influx of new residents has also led to a tighter housing market and debates about affordable housing and gentrification. 'Diversity' as such has not been an explicit policy field: more often, policies focus on supporting specific groups. Still, 'diversity', tolerance and cosmopolitanism are part of the city branding.

**The reorganization of PA** (a) in favour of a reduction of public employees and the externalization of formerly municipal tasks are rather pronounced in Leipzig. After the German Reunification, the government system in eastern Germany was replaced by the western German model of democracy. The establishment of democratic institutions coincided with the NPM reorganization of public affairs in Germany as a whole. The aforementioned debt burdens and austerity measures further impacted the reorganization of PA in Leipzig.

The municipality today contracts out measures like elderly care and measures for deprived families and youth to a varied set of organizations. Applications and evaluation procedures – together with ongoing cuts in budgets – have had a negative effect even on efficiency: the growing competition for funding has produced an increased workload to handle applications, documentation and evaluation procedures instead of doing actual

social work. A stakeholder summarized this as "*Innovatitis, Projectitis, Evaluatitis"* (member of neighbourhood management, Leipzig).

New, inexperienced actors also have much lower chances of winning competitions for funding. The relationship between funding institutions and initiatives is characterized by bureaucratic, distanced procedures. The interviewees complained about the lack of contact with fund givers and their lack of awareness of actual social work.

Thus, arrangements have to work in uncertainty. Projects risk being discontinued once funding ends. Offices, infrastructure, local knowledge and valuable experience built up during the limited life of a project may be lost (ibidem). Projects starting anew have to build up infrastructure and contacts from scratch. In the long run, without continuity of personnel and places, the target groups will lose trust in such initiatives and supporting arrangements. An interviewee labelled this the "Go-stop-pity" mode (member of Labour Shop East on a workshop): projects start with big ambitions, then time is up and expected tasks cannot be accomplished.

**Decentralization** (b) that overburdens local authorities with responsibilities is a dominant trend throughout Germany. With the Hartz reforms, high financial burdens were buck passed to municipal budgets with high shares of welfare-dependent households, since cities had to pay subsidies. Because Leipzig has one of the highest poverty rates among German cities, the cost of providing welfare subsidies is especially high. The administration of Leipzig developed an incremental mode of working in this **austerity condition** by using projects to address issues outside any legal obligation to provide welfare and support for people in need, such as with housing costs or job centres. Project-based work is often carried out at neighbourhood level with a more experimental character, e.g. by employing EU funds to revitalize neighbourhoods.

Interviewed local actors maintain that competition is high and resources are scarce; as one of them put it, there is a *"fight for every euro every year"* (member of a network of community organisations).

Partnerships and networks are abundant in Leipzig's governance arena. Here, the general trend in the evolution of NPM overlaps with local specificity. During the years of population decline, an emphasis was developed on integrated and comprehensive plans. Networks were formed to prepare for difficult decisions and arrange trade-offs, such as with respect to housing demolitions or school closures. Networks are seen both as a solution to budget cuts and as endangered by retrenchment itself: "If everyone would work on their own, we'd teeter on the knife edge. … With 30 working hours left, it is hard to focus on conceptual issues like neglect or blight, no time for collaboration on concepts and trends*"* (member of Working Group Youth). Today, a number of networks exist, including horizontal professional networks such as the Working Group Youth (Table 6), grassroots movements and civic networks, institutionalized networks and partnerships that provide decentralized services and meeting places, and district management. The most interesting – and maybe most specific – type of network to have emerged was grant coalitions (Bernt, 2009), a stable arrangement of administrative and civic or intermediary actors who have secured their work on a specific target through the continuous attraction of funds.

Table 6. Working Group Youth [AK Jugend]

[TABLE 6 ABOUT HERE]

Hence, some of the interviewees mentioned that providing stable funding for valuable projects was a challenge. For example, the Labor Shops in Leipzig's Inner East district (Table 7) were part of a series of similar projects trying to build long-term structures to

support the local economy and unemployed residents. This strategy has been successful in that the projects have endured and problems in certain neighbourhoods can be targeted more continuously. Nevertheless, the staff and the names of projects are changing, which is hindering stable relationships and trust among social workers and local residents. The contracted initiatives and consultancies, which are precarious actors in the coalition, depend on the cooperation of the administration to continue their work, which limits them in expressing independent views.

Table 7. EastWORKS [ostWERK]: Economy, Factory East and Labour Shop East

[TABLE 7 ABOUT HERE]

The formation of grant coalitions has yet another flip side: initiatives that are not part of a coalition may well be excluded from resources. The professionalization of attracting funding privileges experienced brokers that have gained expertise in the funding hunt and are on good terms with the municipal administration. Open debates on conflicts in agenda setting are hindered by complex dependence networks.

**Innovation** (c) frames the work of governance arrangements as part of the fund-hunting discourse. Local arrangements tread a thin line between advocating for local needs and tamely accepting the priorities dictated in calls for applications. Dependence on external funding steers goals and ways of doing social work. The need to present constant innovation and success leads to a policy climate in which failure and learning – a constitutive part of social work – are tossed out. Projects need to succeed, and success has to be reached within the duration of the project. According to a member of the labour shop team, *"*for a project, this may be a long duration, but in a district like this, serious work with local entrepreneurs would require 7-8 years*"*.

## Discussion

*Main trends*

The aim of this article was to contribute to the understanding of the function of governance arrangements to foster social cohesion in diversifying urban societies – in particular whether and to what extent NPM instruments affect the structuring of "new" policy targets in different local contexts.

Table 8. NPM trends and perceived effects according to interviewees in Copenhagen, Milan and Leipzig.

[TABLE 8 about here]

We found that the NPM trends on which we focussed in the introduction played a role in all three of the case studies (see Table 8). In particular, we identified some interesting effects in the intersection between the functioning of NPM in practice and the workings of local policy-making arenas, which could contribute new knowledge and raise further questions in the field.

The reorganization of PA (a) towards a market model based on competitive calls risks negatively affecting initiatives promoted by new and small actors and targeting discriminated minorities. Counterintuitively, market regulation and NPM practices do not lead to some form of efficiency or effectiveness, but rather intersect with forms of re-bureaucratisation, heavily burdening both local PAs and their private or civic partners. While initiatives and social work are managed locally, work is increasingly organized into short-term projects carried out by non-governmental actors or networks taking part in competitive calls that fund them through complex multilevel governance. This entails a domino effect of multiple levels of control and evaluation. Therefore, output and performance controls go hand in hand with more paper- and back-office work, ensnaring grassroots initiatives in detrimental micro-practices. For instance, a number of interviewees complained that administrative management consumes too many resources compared to actual social work. Decentralization (b) adds up to marketised relations, with the risk of passing the buck to local public and private actors

not sufficiently endowed. Public–private partnerships and networks are increasingly considered as a solution for dealing with complexity and defining and implementing local initiatives. Their effectiveness can be jeopardised when the role of public actors is not strong enough and when networks "crystallise", meaning that grant coalitions become increasingly locked in, dependent on external resources and on the professionalization of their participants in the rules of the fund hunting. The competition for short-term funding keeps the power on the side of partners who decide upon the funding or who are essential in the fund hunting, deprivileging new needs and actors. In the end, these coalitions fail to reach the sensitivity to local needs that they were born to achieve.

Innovation (c), acknowledged by our interviewees as a more and more relevant framing discourse, contributes to reinforcing the problems mentioned above if the emphasis on innovation becomes the main focus in competitive calls, without enough attention to long-term sustainability. The constant need to provide ever new ideas and concepts hinders long-term work and learning; while the advantages of project-based measures are usually related to innovation and flexibility, the initiatives analysed here show that in practice, short-term competitive calls can have the opposite effect.

*Local variations*

The local extent and impact of these processes on local policy landscapes vary (see Table 8). Two dimensions are of importance: (1) the role of the welfare state, including the extent to which austerity is coupled with NPM in welfare policy; and (2) the importance given to diversity issues in each city – which depends on the political agendas of the city government and leadership in multilevel governance arenas.

The welfare state turns out to be the most important issue. It can provide a backbone for

the work of governance arrangements, even in challenging contexts. Basic welfare provisions may provide generalized support, where specific targets and projects can play an important complementary role. Copenhagen is at one end of the spectrum, with a strong welfare state providing rather good financial resources, even though they are increasingly handled within competitive terms. The outcome is a competition for funding that privileges experienced actors, making the social work field more precarious and increasing bureaucratic burdens on initiatives. On the other hand, the precariousness of governance arrangements is higher in Milan. Here, resources are less abundant and competition is higher, so that initiatives pop up and fade shortly after. Networks substitute for public institutions, which often do not provide a safe ground for interesting initiatives. Risk is imposed on actors who work under precarious conditions. These networks are too small to produce effective ripple effects. In this respect, the economic crisis affected the scope of diversity-related programmes and the way diversity is targeted. Leipzig, on the other hand, is in a middle position. Germany is still a strong welfare state, but the city itself has experienced austerity conditions since the mid-1990s. Thus, initiatives often operate in uncertain conditions, and established actors are advantaged over new initiatives.

The political leadership in each city and the degree of political attention given to urban diversity are of great importance. Copenhagen has been governed by a social democratic administration for more than 100 years. In comparison with the national government, the adoption of NPM measures by the Municipality of Copenhagen has been limited. These two factors may well be connected. Still, NPM measures such as competitive calls for projects and funding have been employed in Copenhagen. Diversity policy has been given increasing attention in recent years. Becoming an inclusive city is an explicit goal of the Municipality of Copenhagen, and even though

there is no specific budget for diversity, the administration has a clear estimate of resources spent on local diversity-related initiatives. In Milan, a diversity policy is not a high-priority target, and a more integrationist approach to social cohesion prevails. A change in the local administration took place in 2011 (from right- to left-wing) after a campaign that was quite focused on diversity issues. However, a change in wide-scope visions on diversity was poorly mirrored in daily policy practice. Diversity policy is still not prioritized due to the strong negative politicization and stigmatization of diversity in the public and political arenas, the lack of a consistent positive framing discourse on diversity at the national and local levels, and the limited availability of dedicated resources. In Leipzig, we observed a tension between the emphasis on Leipzig being a cosmopolitan city and the recognition of the multiple voices of a diversifying urban society. Probably as a consequence of its younger democracy, Leipzig lacks a well-situated, widespread civic fabric with a long history, able to manage and voice for own stable resources. Instead, municipal attention has been given to economic redevelopment flanked by social projects. The area-based approach born to deal with urban shrinkage in recent decades did not secure the development of a prosperous and autonomous third sector. NPM policy-making induces local actors and authorities to cope more and more with scarce resources and incremental practices.

## Conclusion

To sum up our main results, starting from the points made in the introduction, we found that diversity-related initiatives in the three selected European cities have been affected by NPM and neoliberalization processes in potentially negative ways, especially in cases where NPM is combined with austerity. Such an influence is context-related, with the relevant 'context' mainly lying at the crossroads between localized characteristics of

welfare inclusiveness and diversity policy prioritization. What is more, new and old forms of austerity may narrow the operational conditions of the selected cities, increasing the idea of a neoliberal "one way" to cope with financial and social problems, and hence the use of specific NPM measures.

In particular, there is evidence of specific problems related to initiatives largely based on short-term competitive calls, especially in contexts where the welfare safety net is weaker.

From our case studies, we can identify three major effects that may add understanding of the workings of NPM measures in practice. First, NPM practices seem to be often tied to re-bureaucratization processes. Market and network governance cannot replace the path-dependent strength of hierarchical governance. More likely, they exist together in variable mixes. More research is required to understand reciprocal influences and unintended consequences resulting from specific governance balances (Reddel, 2002; Davies, 2006; Entwistle et al. 2007; Meuleman, 2008).

Second, we found in particular a distortion in network governance associated to market governance. NPM practices privilege grant coalitions and the field of professionalised but dependent actors and networks over more bottom–up and independent but also less experienced actors. This means that the potential sensitivity to emerging needs and representations of diversity, and innovative solutions, may be curbed.

Third, the framing itself of innovation into a NPM and market logic – focussed on pioneering and success – may hinder learning and long-term coping of relevant needs. Time-limited initiatives (unless the welfare state supports stability, as is most apparent in Copenhagen) even risks decreasing the trust of disadvantaged groups in institutions, which provide protean and not always intelligible answers to social needs. The market

logics of fostering social innovation through competition may reduce the innovative potential of the governance landscape engaged in work targeting social cohesion in socially diverse settings. Instead of mobilizing human resources, human resources are most often consumed by applications, evaluations and back-office procedures. The effort to produce market actors through neoliberal institutional mechanisms may also produce illiberal outcomes (Le Galès, 2016). Thus, the logics of markets turn out to contradict the logics of social cohesion efforts.

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# Governance arrangements targeting diversity in Europe: How New Public Management impacts measures for social cohesion

This article analyses how policies to foster social cohesion within diverse and unequal urban contexts are affected by New Public Management and austerity policies. Based on the analysis of a handful of governance arrangements in three cities that differ in their institutional structure and diversity policy approaches (Copenhagen, Leipzig and Milan), it is shown that negative effects are quite widespread yet cushioned by a strong welfare state structure, solid local government and high priority given to the recognition of diversity. Nevertheless, the shift towards the application of market logic to social work reduces innovative potential, increases efforts spent on procedures and weakens public coordination.

Keywords: austerity, diversity, New Public Management, governance arrangements, social cohesion

## Introduction

Cities are experiencing growing ethnic, cultural and socio-economic heterogeneity within their populations. They are sites where living with difference is most common but also more challenging (Tasan-Kok, van Kempen, Raco, & Bolt, 2013; Valentine, 2008). Diversity is defined here according to recent diversity studies that refer to modes of social differentiation and multiple sources of change in urban populations: “not only in socio-economic, social and ethnic terms, but also with respect to lifestyles, attitudes and activities” (Tasan-Kok, van Kempen, Raco, & Bolt, 2013; see also Vertovec, 2015). This implies that configurations and representations of diversity – including their political relevance – can be locally variable. Whatever the intersection of gender, ethnicity, class and the like is, diversity has been subject to policies to foster social cohesion – particularly at the urban scale (Caponio & Borkert, 2010; Tasan-Kok, van

Kempen, Raco, & Bolt, 2013).

At the same time, urban policies have undergone significant transformations in recent decades. These changes have sped up in the wake of economic crises, e.g. in the 1970s and the late 2000s (Warner, & Clifton, 2014), and have often been dealt with through neoliberal national and urban policy-making, with consequences deployed territorially (Brenner, & Theodore, 2002). To narrow our focus within the neoliberal field, we focus on the localized effects of neoliberal governmentality – i.e. discourses and instruments that impose competitive principles as the main solution to urban problems, with limited attention to their negative consequences (Le Galès, 2016). This does not mean that other levels (e.g. the national one) and their policies (e.g. national welfare measures) – including other policy processes not based on neoliberal stances (*ibidem*) – have lost relevance, but rather that their effects conflate differently at the local level. Therefore, a bottom-up analysis of urban governance is the key to disentangling the effects of multilevel relations (Kazepov, 2010; Ranci, Brandsen, & Sabatinelli, 2014), and neoliberal policies do intersect with geographically variable policy landscapes, producing different consequences.

Market-related policy instruments are increasingly "normalized" as resources for urban governance. This affects the role of public institutions, private actors and NGOs through territorially based public–private partnerships and inter-organizational networks that are regulated as quasi-markets. Consequently, the extent and actual effects of using similar instruments have to be disentangled.

Neoliberal policy-making can affect urban governance differently depending on the opportunities and constraints deriving from cities' role in global hierarchies and path-dependent policy arrangements. International, national and regional actors may support such trends reframing discourses in urban policies (Oosterlynck, & González,

2013; Donald, Glasmeier, Gray, & Lobao, 2014). For example, regulation and financing tools may influence the available policy instruments and affect policy targets and responsiveness; a focus on efficiency and budget control may make reducing inequality harder by shifting policy aims and cutting resources. Such policy instruments are often framed as 'devolved austerity' (Peck, 2012, p. 628) in which innovative practices exist side by side with retrenchment.

Considering diversity as one of the most important features and challenges of contemporary European cities, this article analyses how policies to foster social cohesion within diverse and unequal urban contexts are affected by New Public Management (NPM), austerity and changes in the management of urban policies. The study is based on analyses of diversity-related governance arrangements in three different cities: Copenhagen, Denmark; Leipzig, Germany; and Milan, Italy. In particular, the focus will be on arrangements in neighbourhoods where ethno-national and socio-economic inequality (see Table 1) are high and are targets of local social policy. The cases were chosen because they provide evidence of similar processes within different welfare and urban governance arrangements, allowing a comparison among most different cases in terms of social policy and diversity management.

## NPM in urban governance

Since the first waves of changes in urban governance in the 1980s, neoliberal policy instruments have been labelled as NPM (Hood, 1991; Pollitt, van Thiel and Homburg, 2007). NPM includes a variety of policies with several common trends (Kazepov, 2010; Oosterlynck et al., 2015), specifically (a) the reorganization of public administration (PA), (b) decentralization of partnerships and networks, and (c) innovation. These trends will be analysed in our case studies.

As for (a), the reorganization of PA targets PA's size, costs and goals. The public workforce is often downsized (e.g. through non-replacement and job cuts; see Vaughan-Whitehead, 2013) in favour of externalization. Public action is retrenched with the inclusion of market principles and private-style professional management in bureaucratic organizations (Meuleman, 2008). This includes a focus on standards, measures of performance, output control and competition (Hood, 1991). The flip side can be a boosting of contracting out and privatization, as well as reduced attention to their unexpected outcomes.

Market competition tools may be enacted by actors at any institutional level, which can be both promoters and subjects of neoliberal and austerity practices (Donald, Glasmeier, Gray, & Lobao, 2014). Local institutions issue calls for tender but may also themselves be caught in the game of "fund hunting". In selected local and policy contexts (e.g. in those less covered by established welfare provisions), an "innovation trap" can develop, meaning that forms of flexibilization through competitive calls can become the only available funding. In a way, projects replace services.[1] In this competition, protection of vulnerable groups and areas is subject to:

- Territorial variability: variation in capacity to attract resources in competitions at the city and neighbourhood levels
- Social variability: variable targeting of different groups in competitive calls
- Temporal variability: short-term bids resulting in a lack of long-term vision

NPM has been accompanied by (b) decentralization and devolution processes according to the principle of vertical subsidiarity, in which bodies closer to citizens are considered abler to frame problems and implement solutions. However, managerial, if

[1] For an example, see Kantola, 2010.

not entrepreneurial, decentralization may negatively affect social participation, especially in social policy, while social risks may be devolved without adequate resources (Kazepov, 2010; Peck, 2012). Local policy-making arenas may be unfit for dealing with urban problems that exceed their scale of action (Peck, Theodore and Brenner, 2013, p. 1097).

Public–private partnerships and networking have become common policy instruments. Networks are seen as a solution per se (Leitner and Sheppard, 2002). However, the governance of a network requires expertise and clear roles. If local institutions use networks to dump social questions on their partners, democratic accountability will be limited and replaced by output controls and financial accountability. A lack of coordination may stimulate particularistic interests, jeopardizing risk coverage for less politically prioritized social groups. In deprived areas, actors taking part in networks may not enjoy the resources and expertise to develop community capacity to replace retrenching public action and to adapt to the requirements of competitive management (Deas and Doyle, 2013). Weaker networks needing more support are likely to be more affected by austerity measures, increasing their dependence from 'grant coalitions' for public funding (Bernt, 2009). Sharing goals and tools among a variety of actors can be complex. Power asymmetries and unclear tasks can create holes and overlaps in networks, leaving social needs uncovered and actors disempowered (Gross, 2016).

Innovation (c) is not necessarily framed in a neoliberal discourse, but it can be a tool of NPM (Lévesque, 2012; Pollitt, & Bouckaert, 2011), as innovative and entrepreneurial initiatives may be seen as necessary for alleviating local authorities' distress when their budgets are eroded (Harvey, 1989). Innovation has also become a powerful frame for social policy change and opened the way for further use of NPM

instruments; the innovation discourse fosters project-based approaches to social problems, criticizes welfare state rigidities, supports economic developments and answers structural problems through partial solutions such as neighbourhood-based initiatives (Oosterlynck et al., 2015). Competition is considered to boost innovation.

***Austerity as a context for urban governance***

The importance of the abovementioned processes has increased in the aftermath of the recent economic crisis, especially in local contexts hit harder by its fiscal and political consequences. Many localities face narrower operational conditions, in a context of "austerity urbanism" (Peck, 2012). However, austerity budgeting may also be adopted in areas less affected by the crisis (Färber, 2014).

Economic crises entail an opportunity to justify austerity policies at different scales – including in and for cities. Even though NPM does not necessarily imply austerity, austerity can boost attention and propensity to resort to NPM tools, as public and political attention to efficiency and cost-effectiveness are renewed by budget-control mechanisms, limitations on spending and cuts in state transfers. The post-2008 austerity wave has implied new consequences, since 'it operates on, and targets anew, an already neoliberalized institutional landscape' (Peck, 2012, p. 631; see also Warner and Clifton, 2014). It can thereby undermine social protection by affecting disadvantaged contexts and groups. The crisis affected social conditions by increasing and modifying vulnerability as new social risks intersected with older ones. Welfare needs and the pressure on local institutions to cope with them increased, yet resources did not.

***NPM and diversity-related policies at the local level***

This paper analyses the NPM trends described above – (a) the reorganization of PA, (b) decentralization of partnerships and networks, and (c) innovation – in three

cities through examples of diversity-related governance arrangements. The authors maintain that new social questions – including how diversity is becoming a policy target – may undergo unfavourable policy conditions. Cities may have fewer resources for dealing with new vulnerabilities, as they neither are protected enough by old welfare arrangements nor have enough voice in local political arenas (Kazepov, 2010; Ranci, Sabatinelli and Brandsen, 2014; Peck, 2012). The targeting of urban diversity can undergo specific liabilities related to the intersection of inequality and (ethnic) diversity, and to the difficulty of identifying proper measures for elusive social change, which is characterized by a pluralization of diversity (as the literature on super- and hyper-diversity suggests – see Vertovec, 2007; Tasan-Kok, van Kempen, Raco, & Bolt, 2014).

These processes do not take place in a vacuum, however; rather, the path dependency of national and local regulations, contestations and alternatives may steer governance arrangements, selected tools and the impacts of changes (Brenner and Theodore, 2002). Attention to multifaceted arrangements adopted at the local level is necessary to understand how approaches to diversity-related policies, albeit similar, are also context-specific.

**Methods and data**

The results presented here are based on qualitative interviews with representatives of a range of governance arrangements in the case study cities. Based on Swyngedouw (2005: 1992), we define governance arrangements as "horizontal associational networks of private (market), civil society (usually NGO) and state actors. … [they are] apparently horizontally organised and polycentric ensembles in which power is dispersed". Participants cooperate through regular exchanges among a fixed set of independent but interdependent actors. However, truly horizontal arrangements are

rare. Even in networks with a flat internal hierarchy, dependencies influence the work of local initiatives. Swyngedouw is in fact rather pessimistic about their democratic impact: “socially innovative arrangements of governance-beyond-the-state are fundamentally Janus-faced, particularly under conditions in which the democratic character of the political sphere is increasingly eroded by the encroaching imposition of market forces that set the ‘rules of the game’” (ibidem: 1993).

The case study cities represent three different contexts in Europe with respect to the structural conditions and institutional frames for the work of governance arrangements targeting social cohesion and diversity, constituting three different worlds of welfare and positions in urban hierarchies. Copenhagen is the capital of a strong welfare state that has been run by a social democratic government for a century. The third sector is important in Denmark, representing approx. 101,000 units (2006), many within sports and culture. In 2004 the sector was estimated as constituting 9.6% of GDP (Boje & Ibsen 2006). Compared to other European cities, in Copenhagen the resources available at the local level for social purposes are not scarce. Leipzig is a post-socialist city which went through a post-reunification phase of shrinkage that brought about ongoing austerity conditions in PAs. The third sector plays an important and increasingly recognized role in the city. The cultural development plan of the city declares that the expenditures for socio-cultural projects supported by the city have risen from 2.7 million in 2008 to 5.35 million euro in 2016. The plan is to dynamically increase this budget by 2.5 % per year, as the city understands how important this work is for the cohesion and spirit of urban society (Stadt Leipzig, 2016). While relatively well off from a Mediterranean comparative perspective, Milan represents a southern European city within a nation hit hard by financial crisis and austerity, with resources at the local level reduced or subject to variable conditions (e.g. competitive calls, endowment of

national and regional funds). Nevertheless, the local community is involved in and can rely on a vast nonprofit sector: according to the 2011 Census, no fewer than 200,000 people volunteer or work in different social and cultural activities. These different contexts provide a fruitful background for analysing the main features of the changes in the management of urban policies.

The governance arrangements were selected based on an analysis of governance approaches and policies targeting social cohesion, social mobility and the improvement of economic performance among disadvantaged groups in neighbourhoods characterized by ethno-national diversity and socio-economic inequality. Next, a range of governance arrangements (10-12) was selected for each city to represent the different forms, goals and functioning of arrangements. While drawing entirely on fieldwork, this article exemplifies the findings primarily through two initiatives per city, which were chosen according to their local relevance and their innovative view on diversity according to relevant stakeholders (for details, see ANONYMIZED REFERENCE 1; ANONYMIZED REFERENCE 2; ANONYMIZED REFERENCE 3).

Governance arrangements were studied through interviews and focus groups with key informants (on average 19 per city: officials and policy-makers, experts, representatives of specific initiatives) as well as document analysis (on average, 15 legal documents, policy programmes and documents on specific initiatives). The interviews followed common guidelines, with the thematic analysis structured based on (i) the implicit or explicit definition of diversity in use, (ii) the development of the arrangement, (iii) the mode of work, (iv) relations to other stakeholders, and (v) factors in success or failure.[2]

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[2] ANONYMIZED FOOTNOTE

The analysis below is aimed at disentangling how these dimensions are connected to the NPM trends described above: (a) the reorganization of PA, (b) decentralization of partnerships and networks, and (c) innovation.

Table 1. Summary of case studies.

*[TABLE 1 AROUND HERE]*

## Initiatives for social cohesion in diverse cities under precarious conditions

### *Copenhagen, Denmark*

Copenhagen is the largest municipality of Denmark and its most diverse city (Table 1) in terms of age structure, socio-economic situation, ethnicity, culture and lifestyle (ANONYMIZED REFERENCE 2). Compared to Denmark's national politics, Copenhagen stands out by having a more positive approach to diversity and explicitly addressing it as an advantage for the city: 'A diverse city life is an important part of a socially sustainable city' (Municipality of Copenhagen, 2009; see also ANONYMIZED REFERENCE 2). The mixed socio-economic composition of Copenhagen is linked to the diversity of its neighbourhoods. Over the last decades, Copenhagen has changed from a city of poverty to a popular place to live, with rising house prices and an increasingly affluent population. While some areas of Copenhagen still offer housing for the socially disadvantaged, it is becoming harder for such groups to afford rent. Extensive regeneration and urban renewal projects are both a consequence and a cause of Copenhagen's popularity. Such projects have heavily affected the quality and composition of the housing stock in selected neighbourhoods, changing their socio-economic composition. In some areas, the resulting rampant gentrification has led to decreasing diversity.

Ethnic diversity is high in Copenhagen, with 23% of Copenhagen residents being of

non-Danish background.[3] While ethnic diversity entails the risk of racism and ethnic conflicts, it seems that such challenges are less evident in Copenhagen than in the rest of Denmark, perhaps due to Copenhagen's higher share of ethnic minorities and positive approach to diversity. ANONYMIZED REFERENCE 2 have identified an insistence among governmental and non-governmental actors working with diversity that challenges related to diversity are primarily connected to socio-economic differences. There is an overlap between ethnic minority groups and socially deprived individuals, which means that targeting socio-economic issues leads to work with ethnic minority groups in particular.

*The impact of NPM on diversity-related governance arrangements*

Copenhagen's governance arrangements conceptualize diversity as openness, tolerance and the inclusion of all citizens in the life of the city, in society and in the labour force (ANONYMIZED REFERENCE 2). Diversity is seen as a potential source of creativity, innovation and growth.

Despite being on the verge of bankruptcy in the early 1990s, Copenhagen has become a city of growth and wealth. The financial crisis of 2008 was felt in Copenhagen, but to a lesser degree than in other European cities. By 2015, prices of flats exceeded pre-2008 levels. Consequently, while the municipality has employed austerity measures, their impact on the conditions of the governance arrangements has been relatively limited. While the scarcity of resources is a challenge, it is not perceived as having increased since the crisis.

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[3] Defined as individuals born outside of Denmark whose parents are foreign citizens or were born outside of Denmark, as well as children of immigrants born in Denmark.

A **reorganization of PAs** (a) is taking place, with the municipality adopting a mainstreaming approach to diversity efforts in which they are to be integrated into the general way of thinking and implemented as an everyday working tool throughout the municipal administration (ibidem).

*"*The more we can do that as simply a part of the core services and normal practice, where you don't think about what you do, the better it will work, I think, and the more effect it will have in the city*"* (employee of the Technical & Environmental Administration, Copenhagen Municipality).

With few exceptions, this entails diversity efforts being part of the existing budget, rather than being assigned earmarked funds. At the same time, contracting out, externalization and privatization through calls for services have become part of the political and administrative approach. This includes the activities of voluntary organizations and private foundations as well as time-limited projects nested within the municipal administration itself, such as Lab2400 Talents (see Table 2). Denmark has a large public sector, and discussions about retrenchment are pronounced. This is echoed in Copenhagen, albeit to a lesser extent, likely due to the left-wing municipal government.

Table 2. Lab2400 Talents [Lab2400 Talenter]

[TABLE 2 ABOUT HERE]

Both governmental and non-governmental actors have adopted the market-oriented approach, willingly or not. While this has widened the variety of relevant funding organizations, it has also made fund hunting a comprehensive and ongoing task. This was mentioned by all of the interviewed representatives of local arrangements. Not all initiatives are able to master this, and the constant risk of being closed down exerts

substantial pressure. Additionally, funding bodies demand quantitative evidence-based effects, which contrast with the often qualitative and preventive approaches of the arrangements:

*"*All of what we do is preventive work. I do understand that you will always want some numbers on the effects of the master plans. I wish that we could [provide numbers]. (…) I wish there was a concrete link between numbers and results, but because we work within the social field it is not easy to identify those links*"* (project manager, master plans for regeneration of social housing estate in Copenhagen)

Substantial resources have to be reserved for fundraising, networking and documenting the quantitative effects of the projects. Such tasks can be difficult to fulfil sufficiently, especially for volunteer-based, activist and newer initiatives, such as the Pastry Hill Integration House (see Table 3).

Table 3. Pastry Hill Integration House [Integrationshuset Kringlebakken]

[TABLE 3 ABOUT HERE]

To receive funding, the goals and approaches of the arrangements have to be adapted to the funding bodies' changing focus areas. **Innovation** (c) and entrepreneurship have become key concepts in recent years. For example, the original social purpose of Lab2400 Talents (Table 2) has been adapted to a focus on entrepreneurship. Nevertheless, while market-related discourses favouring entrepreneurship, growth and innovation have become more prevalent, there has been continuity in overall political goals due to the stable left-wing government of Copenhagen Municipality. Therefore, the challenges of adapting arrangements' actions to political discourses are not as substantial as they could be.

As a consequence of the reorganization of PAs, **networks** (b) of actors from different sectors and levels are perceived as more flexible and appropriate for social work than top–down public services. The master plans for the regeneration of social housing estates are examples of such networks. These master plans allow for bottom–up approaches while ensuring central coordination. This combination is considered essential for the success of governance arrangements.

Linked to the new focus on networks as a governance tool, processes of decentralization are taking place, and tasks that used to be undertaken by public actors are being devolved to smaller-scale local organizations.

> "We can definitely feel within our sector that we are in the middle of a financial crisis (in 2013, red.) and that the money is becoming smaller and smaller. (…). At the same time we can see that there is an increasingly strong political wish to hand over more and more of the welfare tasks to the civil society, to volunteers" (head of voluntary social organisation in Copenhagen).

Structural social problems such as the geographical segregation of socio-economically disadvantaged groups are addressed at the neighbourhood rather than the national level. The initiatives' representatives underlined the importance of a locally based and locally shaped approach. At the same time, however, they problematized that the municipality is moving the responsibility for municipal assignments to the voluntary sector. The responsibility should remain with the municipality but be carried outsolved through locally based initiatives.

One exception to the above tendency is the Municipality of Copenhagen's Policy for Disadvantaged Areas (Municipality of Copenhagen, 2011). The municipality has identified seven large areas with challenges to be addressed together. Rather than "over-responsibilizing" (Deas and Doyle, 2013) smaller housing estates, the structural

character of the issues in such estates is acknowledged by refocusing on larger city areas where they are located.

Despite the devolution of tasks to non-governmental actors, the reach of the public sector is still wide. All of the analysed governance arrangements are, to varying degrees, financially dependent on the public sector, primarily the Municipality of Copenhagen. The municipality retains some degree of power over the devolved tasks by influencing the targets, framework and organizational structure of the governance arrangements. Therefore, the arrangements are affected by changing political discourses and demands. However, the representatives of the arrangements generally consider the extensive presence of the municipality an advantage, as it creates possibilities and provides a safety net.

***Case study: Milan***

Milan is, along with Rome, the largest metropolitan area in Italy, with one of the highest shares of non-Italian residents and a growing share of naturalized minorities from an immigrant background. Nevertheless, migration is not the only source of diversity in Milan, as it is also characterized by a high share of single-person households and a shrinking number of 'traditional' ones (married couples with minor children) (see Table 1). In the last decade, the population of Milan grew by 15%, with increases in children, elders and foreign nationals. The intersection of changing gender, age, ethnicity and household characteristics has produced new assemblages that have affected relations in the city.

Milan is also becoming more unequal. The unemployment rate, which doubled after the crisis, hit some disadvantaged groups harder, e.g. migrants (from 6% to 20% in the period 2007–2013, Menonna and Blangiardo, 2014) and youth (from less than 20% to

34.5%). Milan's Gini index grew to one of the highest among Italian cities (0.35 in 2014).

The challenge for Milan is to disentangle the tie between inequality and diversity. Migrants, minorities, atypical (usually young) workers and people in non-standard family arrangements are among the most vulnerable inhabitants of the city in terms of income, housing and social opportunities. In a city that has traditionally had few segregated areas, this may increase the spatial concentration of disadvantaged groups and their expulsion toward peripheral areas. This may increase localized tensions.

This is happening in a context where policies supporting social participation of minorities rank low in the policy agenda: together with austerity, this has made resources and strategies limited and blurred, mirroring a national context in which the priority for diversity policies is limited. Discourses on diversity are mainly focused on reducing its negative effects on social cohesion, while the recognition of potential is limited. Political anxiety about security issues and migration is often coupled with efforts to dilute and reduce the visibility of diversity in public spaces (Briata, 2014). At the same time, there is no wide-scope, cross-sectoral or explicit strategic discourse on diversity or its promotion in the Italian policy agenda.

> "a municipality can hardly affect issues concerning rights: from an administrative point of view, we can just act as a stopgap; from a political point of view we can just lobby on the competent institutional level […]. At the national level, nothing happens" (key official 3, Municipality of Milan).

*The impact of NPM on diversity-related governance arrangements*

The analysis of diversity-related governance arrangements in Milan shows that the main focus is on social cohesion within an integrationist approach. Fostering social contact and mix seems to be connected with nativism and a fear of negative politicization.

> "Making diversity an explicit issue is a political problem. If you draw a plan on diversity, there will instantly be someone telling you: 'Mind normalcy! Why should you mind about marginal fringes?' There's a part that considers diversity as a negative value" (key official 4, Municipality of Milan)

This issue may affect diversity policy and minority targeting. However, many of the actors involved, especially civil society organizations, are sensible to a pluralist discourse on diversity, e.g. concerning the social participation of 'second generations' of immigration, and question the boundaries of the national community, as the case of G.Lab shows (see Table 4).

Table 4. G.Lab

[Table 4 ABOUT HERE]

Many initiatives treat diversity as a source of social disadvantage, albeit with growing attention to the possible advantages of the pluralization of society. Also, diversity is often considered acceptable and enriching when it is not too isolated or related to inequality. NPM policies have substantially affected how new diversity-related claims and social needs are coped with, and such measures have been coupled with austerity policies. This is particularly relevant in Italy, since the institutional coping with diversity has taken place in years of budget constraints and welfare retrenchment. This may have fuelled nativism and exclusionary policies (Ambrosini, & Boccagni, 2015).

The **reorganization of PAs** (a) in Italy started in the 1990s. Public employment has decreased in recent years as an effect of liberalization measures, budget controls and austerity (e.g. the limitation of turnover). Public employment has shrunk and changed due to an increase of privatization and competitive arrangements. For example, there has been significant growth in non-standard jobs (e.g. temporary work and dependent self-employment) in PA. Given the additional problems of qualification mismatch, this means that the expertise necessary for coping with new claims and needs has been scantly internalized within the PA. The Lombardy region (where Milan is located) has been at the forefront of this change, since it has fostered a quasi-market approach to welfare policies for at least two decades (Sabatinelli and Villa, 2015).

This has been particularly relevant since **decentralization** (b) increased after 2001, when a constitutional reform defined regions as the focal level in planning welfare policy. This reform piled on a tradition of welfare municipalism in fragmenting local outcomes: the effects of the 2008 crisis were just the latest evidence of enduring problems within the multilevel coordination of Italian social policy.

Also, the devolution process resulted in transfer cuts in the aftermaths of the crisis, with consequences for the localised effects of austerity. The short-term sustainability of initiatives such as G.Lab and About Niguarda (see Tables 4 and 5) shows that budget constraints negatively affect multilevel governance.

> "[local government's] commitment was to revamp integration policy through participation about what to do for integration and how to do it. One year of work, many ideas... […] The problem is that it didn't become actual policy, since at a given point we understood that there was no money […] Local policies are just announced but not applied in reality" (Policy strategist 1, Milan)

All of these processes together have led to a complex subsidiarization of social policy

(Kazepov, 2010), with increased importance of **markets and networks in public–private partnerships** as well as in welfare policy.

Table 5. About Niguarda [Riguarda Niguarda]

[TABLE 5 ABOUT HERE]

As the PA is not recruiting on a regular basis and is contracting out, **innovation** (c) has become a framing discourse in the transformation of Italian welfare policy. The use of competitive calls with unclear continuity as well as different targets and funding sources requires applicants to make use of innovation discourses to structure the sustainability of quasi-services and initiatives. Research shows that social innovation in Italy is diffused and plural but also very fragmented and unlikely to spread further (Oosterlynck et al., 2015).

The initiatives reported in Tables 4 and 5 are good examples of the complex effects of NPM on diversity-related governance arrangements in Milan. They show good room for innovation in targeting and management, starting from small-scale networks and local experiments. However, there are sustainability problems. First, these initiatives seem unable to reverse the negative view on diversity due to their limited scope and target areas. Second, public authorities seem unable to systematically contribute to successful measures.

When such initiatives are funded within calls with short time span and poor attention to their long-term viability, their success is limited. These initiatives have a poor chance of becoming institutional in the longer run. In this respect, most successful arrangements are based on peer self-help and self-sustainment with limited resources, while public institutions only help them in kicking off.

> "The problem is the economic sustainability, in the frame of current budget cuts (especially to social expenditure): the local administration is relying much on social participation, activism, and volunteering – even too much" (Member of local immigrant association 2, Milan)

Networks of small- and medium-sized organizations foster a social mix of promoters that may increase the sensibility toward diversity and social change as well as attention towards social participation and bottom–up action. The surveyed initiatives are often small in scale (e.g. in About Niguarda see Table 5), but plural networks help to focus on target areas with many small, cheap, low-threshold measures. This 'guerrilla grassroots policy-making' increases the chance of reaching diverse target groups.

***Case study: Leipzig***

Leipzig is a recently diversifying urban society, not least due to its post-socialist background. Following rapid deindustrialization and population decline in the 1990s, the city has been experiencing reurbanization and population regrowth since the 2000s. Since 2011, the population has been growing by an average of 10,000 persons per year (City of Leipzig, 2015). In particular, the net influx of young people (e.g. professionals, students) and various international migrants, including refugees, has shaped the recent diversification (for a summary, see Table 1). Leipzig's 11.7% share of migrants overall (City of Leipzig, 2015, p. 70) is high among eastern German cities, even though it is low compared to that of western Germany.

With respect to resources, Leipzig has had to cope with municipal debt burdens, tight budgets and austerity measures for roughly two decades. These problems are rooted in the post-socialist transition as well as in the reorganization of the public sector, where neoliberal stances have gained momentum in the policy agenda. Therefore, third-party funding targeted to specific projects – that is, funds coming to the city from the state and the EU – have gained importance in financing social measures.

On the national level, policies targeting and recognizing diversity have been quite inconsistent over time, and they are much focused on economic goals, such as attracting (skilled) immigrant labour to fill demographic gaps. This is also reflected in national

diversity policies, under which ‘diversity management’ was implemented to fight discrimination against women and international migrants (see ANONYMIZED REFERENCE 1). The reactions to the 2015 influx of refugees can be interpreted along similar lines, even though it did mobilize both civic and institutional resources to cope with the challenges.

*The impact of NPM on diversity-related governance arrangements*

In Leipzig, the influx of foreign migrants and refugees over the past few years has often led to societal tensions, e.g. swinging populist and solidarity stances about the location of refugees’ housing and shelters and about resources allocated to integration policy. The rapid influx of new residents has also led to a tighter housing market and debates about affordable housing and gentrification. ‘Diversity’ as such has not been an explicit policy field: more often, policies focus on supporting specific groups. Still, ‘diversity’, tolerance and cosmopolitanism are part of the city branding.

**The reorganization of PA** (a) in favour of a reduction of public employees and the externalization of formerly municipal tasks are rather pronounced in Leipzig. After the German Reunification, the government system in eastern Germany was replaced by the western German model of democracy. The establishment of democratic institutions coincided with the NPM reorganization of public affairs in Germany as a whole. The aforementioned debt burdens and austerity measures further impacted the reorganization of PA in Leipzig.

The municipality today contracts out measures like elderly care and measures for deprived families and youth to a varied set of organizations. Applications and evaluation procedures – together with ongoing cuts in budgets – have had a negative effect even on efficiency: the growing competition for funding has produced an increased workload to

handle applications, documentation and evaluation procedures instead of doing actual social work. A stakeholder summarized this as "*Innovatitis, Projectitis, Evaluatitis"* (member of neighbourhood management, Leipzig).

New, inexperienced actors also have much lower chances of winning competitions for funding. The relationship between funding institutions and initiatives is characterized by bureaucratic, distanced procedures. The interviewees complained about the lack of contact with fund givers and their lack of awareness of actual social work.

Thus, arrangements have to work in uncertainty. Projects risk being discontinued once funding ends. Offices, infrastructure, local knowledge and valuable experience built up during the limited life of a project may be lost (ANONYMIZED REFERENCE 1). Projects starting anew have to build up infrastructure and contacts from scratch. In the long run, without continuity of personnel and places, the target groups will lose trust in such initiatives and supporting arrangements. An interviewee labelled this the "Go-stop-pity" mode (member of Labour Shop East on a workshop): projects start with big ambitions, then time is up and expected tasks cannot be accomplished.

**Decentralization** (b) that overburdens local authorities with responsibilities is a dominant trend throughout Germany. With the Hartz reforms, high financial burdens were buck passed to municipal budgets with high shares of welfare-dependent households, since cities had to pay subsidies. Because Leipzig has one of the highest poverty rates among German cities, the cost of providing welfare subsidies is especially high. The administration of Leipzig developed an incremental mode of working in this **austerity condition** by using projects to address issues outside any legal obligation to provide welfare and support for people in need, such as with housing costs or job centres. Project-based work is often carried out at neighbourhood level with a more

experimental character, e.g. by employing EU funds to revitalize neighbourhoods. Interviewed local actors maintain that competition is high and resources are scarce; as one of them put it, there is a *"fight for every euro every year"* (member of a network of community organisations).

Partnerships and networks are abundant in Leipzig's governance arena. Here, the general trend in the evolution of NPM overlaps with local specificity. During the years of population decline, an emphasis was developed on integrated and comprehensive plans. Networks were formed to prepare for difficult decisions and arrange trade-offs, such as with respect to housing demolitions or school closures. Networks are seen both as a solution to budget cuts and as endangered by retrenchment itself: "If everyone would work on their own, we'd teeter on the knife edge. … With 30 working hours left, it is hard to focus on conceptual issues like neglect or blight, no time for collaboration on concepts and trends*"* (member of Working Group Youth). Today, a number of networks exist, including horizontal professional networks such as the Working Group Youth (Table 6), grassroots movements and civic networks, institutionalized networks and partnerships that provide decentralized services and meeting places, and district management. The most interesting – and maybe most specific – type of network to have emerged was grant coalitions (Bernt, 2009), a stable arrangement of administrative and civic or intermediary actors who have secured their work on a specific target through the continuous attraction of funds.

Table 6. Working Group Youth [AK Jugend]

[TABLE 6 ABOUT HERE]

Hence, some of the interviewees mentioned that providing stable funding for valuable projects was a challenge. For example, the Labor Shops in Leipzig's Inner East district

(Table 7) were part of a series of similar projects trying to build long-term structures to support the local economy and unemployed residents. This strategy has been successful in that the projects have endured and problems in certain neighbourhoods can be targeted more continuously. Nevertheless, the staff and the names of projects are changing, which is hindering stable relationships and trust among social workers and local residents. The contracted initiatives and consultancies, which are precarious actors in the coalition, depend on the cooperation of the administration to continue their work, which limits them in expressing independent views.

Table 7. EastWORKS [ostWERK]: Economy, Factory East and Labour Shop East

[TABLE 7 ABOUT HERE]

The formation of grant coalitions has yet another flip side: initiatives that are not part of a coalition may well be excluded from resources. The professionalization of attracting funding privileges experienced brokers that have gained expertise in the funding hunt and are on good terms with the municipal administration. Open debates on conflicts in agenda setting are hindered by complex dependence networks.

**Innovation** (c) frames the work of governance arrangements as part of the fund-hunting discourse. Local arrangements tread a thin line between advocating for local needs and tamely accepting the priorities dictated in calls for applications. Dependence on external funding steers goals and ways of doing social work. The need to present constant innovation and success leads to a policy climate in which failure and learning – a constitutive part of social work – are tossed out. Projects need to succeed, and success has to be reached within the duration of the project. According to a member of the labour shop team, *"*for a project, this may be a long duration, but in a district like this, serious work with local entrepreneurs would require 7-8 years*"*.

## Discussion

*Main trends*

The aim of this article was to contribute to the understanding of the function of governance arrangements to foster social cohesion in diversifying urban societies – in particular whether and to what extent NPM instruments affect the structuring of "new" policy targets in different local contexts.

Table 8. NPM trends and perceived effects according to interviewees in Copenhagen, Milan and Leipzig.

[TABLE 8 about here]

We found that the NPM trends on which we focussed in the introduction played a role in all three of the case studies (see Table 8). In particular, we identified some interesting effects in the intersection between the functioning of NPM in practice and the workings of local policy-making arenas, which could contribute new knowledge and raise further questions in the field.

The reorganization of PA (a) towards a market model based on competitive calls risks negatively affecting initiatives promoted by new and small actors and targeting discriminated minorities. Counterintuitively, market regulation and NPM practices do not lead to some form of efficiency or effectiveness, but rather intersect with forms of re-bureaucratisation, heavily burdening both local PAs and their private or civic partners. While initiatives and social work are managed locally, work is increasingly organized into short-term projects carried out by non-governmental actors or networks taking part in competitive calls that fund them through complex multilevel governance. This entails a domino effect of multiple levels of control and evaluation. Therefore, output and performance controls go hand in hand with more paper- and back-office work, ensnaring grassroots initiatives in detrimental micro-practices. For instance, a number of interviewees complained that administrative management consumes too many resources compared to actual social work. Decentralization (b) adds up to marketised relations, with the risk of passing the buck to local public and private actors

not sufficiently endowed. Public–private partnerships and networks are increasingly considered as a solution for dealing with complexity and defining and implementing local initiatives. Their effectiveness can be jeopardised when the role of public actors is not strong enough and when networks "crystallise", meaning that grant coalitions become increasingly locked in, dependent on external resources and on the professionalization of their participants in the rules of the fund hunting. The competition for short-term funding keeps the power on the side of partners who decide upon the funding or who are essential in the fund hunting, deprivileging new needs and actors. In the end, these coalitions fail to reach the sensitivity to local needs that they were born to achieve.

Innovation (c), acknowledged by our interviewees as a more and more relevant framing discourse, contributes to reinforcing the problems mentioned above if the emphasis on innovation becomes the main focus in competitive calls, without enough attention to long-term sustainability. The constant need to provide ever new ideas and concepts hinders long-term work and learning; while the advantages of project-based measures are usually related to innovation and flexibility, the initiatives analysed here show that in practice, short-term competitive calls can have the opposite effect.

*Local variations*

The local extent and impact of these processes on local policy landscapes vary (see Table 8). Two dimensions are of importance: (1) the role of the welfare state, including the extent to which austerity is coupled with NPM in welfare policy; and (2) the importance given to diversity issues in each city – which depends on the political agendas of the city government and leadership in multilevel governance arenas.

The welfare state turns out to be the most important issue. It can provide a backbone for

the work of governance arrangements, even in challenging contexts. Basic welfare provisions may provide generalized support, where specific targets and projects can play an important complementary role. Copenhagen is at one end of the spectrum, with a strong welfare state providing rather good financial resources, even though they are increasingly handled within competitive terms. The outcome is a competition for funding that privileges experienced actors, making the social work field more precarious and increasing bureaucratic burdens on initiatives. On the other hand, the precariousness of governance arrangements is higher in Milan. Here, resources are less abundant and competition is higher, so that initiatives pop up and fade shortly after. Networks substitute for public institutions, which often do not provide a safe ground for interesting initiatives. Risk is imposed on actors who work under precarious conditions. These networks are too small to produce effective ripple effects. In this respect, the economic crisis affected the scope of diversity-related programmes and the way diversity is targeted. Leipzig, on the other hand, is in a middle position. Germany is still a strong welfare state, but the city itself has experienced austerity conditions since the mid-1990s. Thus, initiatives often operate in uncertain conditions, and established actors are advantaged over new initiatives.

The political leadership in each city and the degree of political attention given to urban diversity are of great importance. Copenhagen has been governed by a social democratic administration for more than 100 years. In comparison with the national government, the adoption of NPM measures by the Municipality of Copenhagen has been limited. These two factors may well be connected. Still, NPM measures such as competitive calls for projects and funding have been employed in Copenhagen. Diversity policy has been given increasing attention in recent years. Becoming an inclusive city is an explicit goal of the Municipality of Copenhagen, and even though

there is no specific budget for diversity, the administration has a clear estimate of resources spent on local diversity-related initiatives. In Milan, a diversity policy is not a high-priority target, and a more integrationist approach to social cohesion prevails. A change in the local administration took place in 2011 (from right- to left-wing) after a campaign that was quite focused on diversity issues. However, a change in wide-scope visions on diversity was poorly mirrored in daily policy practice. Diversity policy is still not prioritized due to the strong negative politicization and stigmatization of diversity in the public and political arenas, the lack of a consistent positive framing discourse on diversity at the national and local levels, and the limited availability of dedicated resources. In Leipzig, we observed a tension between the emphasis on Leipzig being a cosmopolitan city and the recognition of the multiple voices of a diversifying urban society. Probably as a consequence of its younger democracy, Leipzig lacks a well-situated, widespread civic fabric with a long history, able to manage and voice for own stable resources. Instead, municipal attention has been given to economic redevelopment flanked by social projects. The area-based approach born to deal with urban shrinkage in recent decades did not secure the development of a prosperous and autonomous third sector. NPM policy-making induces local actors and authorities to cope more and more with scarce resources and incremental practices.

## Conclusion

To sum up our main results, starting from the points made in the introduction, we found that diversity-related initiatives in the three selected European cities have been affected by NPM and neoliberalization processes in potentially negative ways, especially in cases where NPM is combined with austerity. Such an influence is context-related, with the relevant 'context' mainly lying at the crossroads between localized characteristics of

welfare inclusiveness and diversity policy prioritization. What is more, new and old forms of austerity may narrow the operational conditions of the selected cities, increasing the idea of a neoliberal "one way" to cope with financial and social problems, and hence the use of specific NPM measures.

In particular, there is evidence of specific problems related to initiatives largely based on short-term competitive calls, especially in contexts where the welfare safety net is weaker.

From our case studies, we can identify three major effects that may add understanding of the workings of NPM measures in practice. First, NPM practices seem to be often tied to re-bureaucratization processes. Market and network governance cannot replace the path-dependent strength of hierarchical governance. More likely, they exist together in variable mixes. More research is required to understand reciprocal influences and unintended consequences resulting from specific governance balances (Reddel, 2002; Davies, 2006; Entwistle et al. 2007; Meuleman, 2008).

Second, we found in particular a distortion in network governance associated to market governance. NPM practices privilege grant coalitions and the field of professionalised but dependent actors and networks over more bottom–up and independent but also less experienced actors. This means that the potential sensitivity to emerging needs and representations of diversity, and innovative solutions, may be curbed.

Third, the framing itself of innovation into a NPM and market logic – focussed on pioneering and success – may hinder learning and long-term coping of relevant needs. Time-limited initiatives (unless the welfare state supports stability, as is most apparent in Copenhagen) even risks decreasing the trust of disadvantaged groups in institutions, which provide protean and not always intelligible answers to social needs. The market

logics of fostering social innovation through competition may reduce the innovative potential of the governance landscape engaged in work targeting social cohesion in socially diverse settings. Instead of mobilizing human resources, human resources are most often consumed by applications, evaluations and back-office procedures. The effort to produce market actors through neoliberal institutional mechanisms may also produce illiberal outcomes (Le Galès, 2016). Thus, the logics of markets turn out to contradict the logics of social cohesion efforts.

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Table 1. Summary of case studies.

| | Denmark | Copenhagen | Bispebjerg |
|---|---|---|---|
| Total population (2016) | 5,717,014 | 594,545 | 54,638 |
| Unemployment (2011) | 4.8% | 5.5% | 7% |
| Receiving state benefits (2007) | 28% | 22% | 26% |
| Tertiary education (2011) | 26% | 37% | 29% |
| Non-western ethnic origin (2013) | 5.1% | 11.2% | 23.5% |
| One-person households (2016) | 44.5% | 51.0% | 54.1% |
| Under 20's (2016) | 22.9% | 19.3% | 16.6% |
| Elderly (60+) (2016) | 24,8% | 14.2% | 13.3% |
| | Germany | Leipzig | Leipzig Inner East (IE), Leipzig-Grünau (G)[1] |
| Total population (2015) | 82,175,684 | 560,472 | IE: 54,122<br>G: 44,772 |
| Unemployment rate (2015) | 6.1% | 8.8% | IE: 6.8 %<br>G: 6,5% |
| Welfare recipients (2014) | 9.3% | 68,727 (12.3%) | IE: 12.1%<br>G: 11.3% |
| Tertiary education (2013) | 8.3% | 16% | IE: 20.8%<br>G: 8.8% |
| Non EU residents (2013) | 1,581,832 (1.9%) | 21,147 (3.9%) | IE: 9.9%<br>G: 5.2% |
| One-person households (2013) | 41% | 52.3% | IE:49,8%<br>G:59,5% |
| Under 18 (2011) | 13,134,352 (16.4%) | 69,858 (13.5%) | IE: 6.701 (14.9%)<br>G: 5.086 (11.9%) |
| Elderly 65+ (2011) | 16,518,121 (20.6%) | 114.845 (22.2%) | IE: 6.916 (15.4%)<br>G: 11.929 (27.8%) |
| Total population (2015) | 82,175,684 | 560,472 | IE: 54,122<br>G: 44,772 |
| | Italy | Milan | Milan North[2] |
| Total population (2015) | 60,665,551 | 1,359,905 | 339,018 |
| Unemployment rate (2011) | 11.4% | 6.9% | 7.3% |

1 The area Leipzig Inner East comprises the adminsitrative districts of Neustadt-Neuschönefeld, Angercrottendorf, Reudnitz, and Volkmarsdorf. The area of Leipzig-Grünau comprises the administrative districts Grünau-Ost, Schönau, Grünau-Mitte, Grünau-Nord, and Lausen-Grünau.

2 *Aree di decentramento* 2 and 9

| | | | |
|---|---|---|---|
| Per capita local social expenditure (2012) | € 117 | € 166 (province) | n.a. |
| Tertiary education of residents aged 6 and more (2011) | 6,270,958 (11.2%) | 269,088 (22.9%) | 51,311 (18.3%) |
| Non EU-15 citizens (residents, 2015) | 3,717,211 (6.1%) | 248,658 (18.3%) | 86,182 (25.4%) |
| People in one-person households (2014) | 8,493,566 (14.0%) | 300,333 (22.2%) | 73,829 (22.0%) |
| Under 18 (2015) | 10,008,033 (16.5%) | 210,403 (15.5%) | 52,554 (15.5%) |
| Elderly (65+) (2015) | 13,369,754 (22.0%) | 319,659 (23.5%) | 71,017 (20.9%) |

Table 2. Lab2400 Talents [Lab2400 Talenter]

… offers a business training as part of a municipal entrepreneurial project focussed on disadvantaged areas. The project is financed by the Ministry of Housing, Urban and Rural Affairs, and runs from 2012-2015, while Lab2400 was held in spring 2014. The purpose is to promote enterprises, business development and social innovation. The target group of Lab2400 Talents is unemployed, unskilled and marginalised youth. Specifically, the lab aims to empower recipients and to offer entrepreneurship as an alternative, independent way of making a living. Lab2400 Talents has adapted to the overall municipal focus of fostering entrepreneurship, while meeting the local challenge of boosting social mobility in a deprived area.

The initiative employs two full-time workers and a student assistant. The key success factor is to employ a bottom–up approach and sensitive handling for the participants. The project's staff experience a degree of freedom due to the development project being new and being financed externally by the Ministry. This allows them to test new ideas and learn from mistakes. Cooperation and networks with local businesses and other sectors (e.g. regeneration projects) are important. The main challenges are the short funding periods and the demand of documenting outcomes.
Source: based on ANONYMIZED REFERENCE 2

Table 3. Pastry Hill Integration House [Integrationshuset Kringlebakken]

… is a volunteer-based association established in 1999. It is funded primarily by Copenhagen Municipality, together with grants from various funds. Its goal is to empower isolated ethnic minority women in terms of their private and social lives, childcare, employment, education and citizenship. Pastry Hill aims to foster social mobility through empowering women and to improve social cohesion by including them in Danish society and building up their social networks. Pastry Hill aims to promote diversity as a strength, while concurrently tackling the challenges of cultural and socioeconomic differences.

Pastry Hill employs seven paid, part-time workers who manage and organise activities and courses. Language lessons, homework help, childcare and job counselling are mainly handled by volunteers. The initiative depends on public actors recognising their work and is obliged to provide effect documentation. Its main challenge is to ensure sufficient resources. The municipality provides the basic funding for a four-year term, which therefore must be re-applied for regularly, making fundraising a demanding part of running Pastry Hill. Knowledge, effect documentation and contacts as well as strong cooperation with municipal actors are crucial.
Source: based on ANONYMIZED REFERENCE 2

Table 4. G.Lab

… was an information and guidance desk and a project lab dedicated to new generations from an immigrant background. It was aimed at supporting youths and families from immigrant backgrounds, teachers, social workers and other stakeholders to improve new generations' access to local services, naturalisation procedures, study and job opportunities. It was also aimed to promote diversity and social mix as a value, by providing an arena in which to discuss the condition of having a plural background (as foreigner–Italians). The project took place between March 2013 and December 2013. It was initialised by the municipality and carried out by the G2 Network, an association of youths from an immigrant background.

The success of the project came from two main factors: peer support and close relationships with the local administration. Working between local needs and administrative logics contributed to the accessibility of public services and to problem-solving. In contrast, the short duration of the project prevented a stabilised engagement. Services were largely promoted and advertised, and expectations of long-term and steady support were created. However, funding was only planned for nine months. The intent of the programme's partners to extend its duration has only been partly successful, as some of the initiatives (and staff) of G.Lab have been included in other projects, though not with the same name, goals or extent.
Source: based on ANONYMIZED REFERENCE 3

Table 5. About Niguarda [Riguarda Niguarda]

… was an area-based project to promote community development and community animation. The aim of the project was to enhance social cohesion by changing the public image of the Niguarda neighbourhood via self-help and community participation, and to support the engagement of the local community. Its activities included reusing public spaces for cultural and social activities, providing self-help groups for parents as well as immigrants dealing with family reunification, and empowering immigrant women through art and craft. The project was carried out by seven NGOs partnered by Milan's municipality and the local district council from May 2013 to April 2016.

The project profited from rich network structures of professionals and volunteers. Also, the adaptation of goals and procedures was beneficial to this arrangement. Different activities were fine-tuned in the process, with the involvement of other local players and a flexible organisation. Although positive effects have been ascribed to the initiative's work, its long-term sustainability could not be secured. Only some activities could be included in new projects. In contrast, having more structural dimensions (like the coordination of a social centre) would require longer-term financing and engagement by public bodies. Therefore, the promising frame for initialising self-help, peer social relations and intergroup contracts could no longer be provided.
Source: based on ANONYMIZED REFERENCE 3.

Table 6. Working Group Youth [AK Jugend]

… is an area-based voluntary network of professionals engaged in youth social work operating since 1993 in a large housing estate in Leipzig. The aim of this arrangement is to cooperate in order to best understand local problems and to provide support, especially catering needs of children and youths. This initiative acts as both 1) lobbyist for youths' and social workers' interests in front of funding agencies and 2) as an alliance of youth workers cooperating to offer adequate pedagogical support, projects and events for their target group.

Key aspects of success are long-term personal commitment of members, flat hierarchies, a direct democracy principles and sharing common goals. However, the work of the initiative is hindered by long-term and incremental budget cuts, that reduce time available for personal engagement and conceptual advancement of support provided. Workload and complexity of problems do increase hand in hand. Further, good relationships to governmental bodies became the central requirement to secure adequate funding but lead to an increasing dependency on networking with PAs.
Source: based on ANONYMIZED REFERENCE 1

Table 7. EastWORKS [ostWERK]: Economy, Factory East and Labour Shop East

… is a set of projects aimed to stimulate economic performance in underprivileged neighbourhoods in Leipzig. Different initiatives were established to 1) provide support for local entrepreneurs, including networking, and 2) set up low-threshold help services for long-term unemployed. From 2002, a number of smaller and short-term projects were carried out as a follow-up of previous measures. Resources come from third party funding, including State- and EU-level funds.

These projects share a common management structure, based in one municipal department in cooperation with one private professional. This “grant coalition”giving power to two partners with a history of cooperation. They achieved an incremental, precarious stability in their efforts to manage social support measures for quite a longer period. However, the projects framed under EastWorks suffer from some problems: although a continuity of support within the neighbourhood is achieved, expertise, cognizance and established relationships with target groups get lost when employed beneficiaries become unemployed again at the end of the projects. Additionally, language barriers and scarce resources for public relations hinder their effectiveness.
Source: based on ANONYMIZED REFERENCE 1

Table 8

| NPM trend | Effect on case study's governance arrangements | Relevance of effects[1] | | |
|---|---|---|---|---|
| | | Copenhagen | Milan | Leipzig |
| Reorganization of PA | | | | |
| • Downsizing and externalization | Lack of area expertise within PAs<br>Overburdening of civil servants<br>Raising role of professional managers and experts | +/- | + | + |
| • Use of market instruments | Fund hunting and measures of performance are based on competition and bureaucracy<br>From services to (short-term) projects | + | ++ | ++ |
| Decentralization of partnerships and networks | | | | |
| • Decentralization (vertical subsidiarity) | Risk of "local trap": inadequate local democratic arenas<br>Dependencies along hierarchies within networks<br>Passing the buck to local authorities | - | ++ | + |
| • Partnerships (Horizontal subsidiarity) | Governing networks: underestimated complexity of management (time, resources and expertise)<br>Passing the buck to private partners<br>"Grant coalitions": limited space for new actors; transformation of grassroots organizations | + | + | ++ |
| Innovation | | | | |
| • Innovation | "Innovatitis": initiatives have limited stability in project-based innovations<br>Discursive adaptation to "fashionable" innovation<br>Learning through failure is depreciated | + | + | ++ |

1 Interviewees' opinions have been ranked on a 5-step scale: not relevant (--); poorly relevant (-); somehow relevant (+/-); quite relevant (+); very relevant (++). Ranking has been based according to agreement among different interviewees and to the extent they mention trends and effects in the table.